

No. 18074

**UNITED STATES OF AMERICA
and
SOMALIA**

**Agreement for sales of agricultural commodities. Signed at
Mogadiscio on 20 March 1978**

Authentic text: English.

Registered by the United States of America on 14 November 1979.

**ÉTATS-UNIS D'AMÉRIQUE
et
SOMALIE**

**Accord relatif à la vente de produits agricoles. Signé à
Mogadishu le 20 mars 1978**

Texte authentique: anglais.

Enregistré par les États-Unis d'Amérique le 14 novembre 1979.

AGREEMENT¹ BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF THE SOMALI DEMOCRATIC REPUBLIC FOR SALES OF AGRICULTURAL COMMODITIES

The Government of the United States of America and the Government of the Somali Democratic Republic,

Recognizing the desirability of expanding trade in agricultural commodities between the United States of America (hereinafter referred to as the exporting country) and the Government of the Somali Democratic Republic (hereinafter referred to as the importing country) and with other friendly countries in a manner that will not displace usual marketings of the exporting country in these commodities or unduly disrupt world prices of agricultural commodities or normal patterns of commercial trade with friendly countries,

Taking into account the importance to developing countries of their efforts to help themselves toward a greater degree of self-reliance, including efforts to meet their problems of food production and population growth,

Recognizing the policy of the exporting country to use its agricultural productivity to combat hunger and malnutrition in developing countries, to encourage these countries to improve their own agricultural production, and to assist them in their economic development,

Recognizing the determination of the importing country to improve its own production, storage, and distribution of agricultural food products, including the reduction of waste in all stages of food handling,

Desiring to set forth the understanding that will govern the sales of agricultural commodities to the importing country pursuant to Title I of the Agricultural Trade Development and Assistance Act, as amended (hereinafter referred to as the Act), and the measures that the two Governments will take individually and collectively in furthering the above mentioned policies,

Have agreed as follows:

PART I.^{*} GENERAL PROVISIONS

Article I

A. The Government of the exporting country undertakes to finance the sale of agricultural commodities to purchasers authorized by the Government of the importing country in accordance with the terms and conditions set forth in this Agreement.

B. The financing of the agricultural commodities listed in part II of this Agreement will be subject to:

1. The issuance by the Government of the exporting country of purchase authorizations and their acceptance by the Government of the importing country; and

¹ Came into force on 20 March 1978 by signature, in accordance with part III (A).

2. The availability of the specified commodities at the time of exportation.

C. Application for purchase authorizations will be made within 90 days after the effective date of this Agreement, and, with respect to any additional commodities or amounts of commodities provided for in any supplementary agreement, within 90 days after the effective date of such supplementary agreement. Purchase authorizations shall include provisions relating to the sale and delivery of such commodities, and other relevant matters.

D. Except as may be authorized by the Government of the exporting country, all deliveries of commodities sold under this Agreement shall be made within the supply periods specified in the commodity table in part II.

E. The value of the total quantity of each commodity covered by the purchase authorizations for a specified type of financing authorized under this Agreement shall not exceed the maximum export market value specified for that commodity and type of financing in part II. The Government of the exporting country may limit the total value of each commodity to be covered by purchase authorizations for a specified type of financing as price declines or other marketing factors may require, so that the quantities of such commodity sold under a specified type of financing will not substantially exceed the applicable approximate maximum quantity specified in part II.

F. The Government of the exporting country shall bear the ocean freight differential for commodities the Government of the exporting country requires to be transported in United States flag vessels (approximately 50 per cent by weight of the commodities sold under the Agreement). The ocean freight differential is deemed to be the amount, as determined by the Government of the exporting country, by which the cost of ocean transportation is higher (than would otherwise be the case) by reason of the requirement that the commodities be transported in United States flag vessels. The Government of the importing country shall have no obligation to reimburse the Government of the exporting country for the ocean freight differential borne by the Government of the exporting country.

G. Promptly after contracting for United States flag shipping space to be used for commodities required to be transported in United States flag vessels, and in any event not later than presentation of vessel for loading, the Government of the importing country or the purchasers authorized by it shall open a Letter of Credit in United States dollars, for the estimated cost of ocean transportation for such commodities.

H. The financing, sale, and delivery of commodities under this Agreement may be terminated by either Government if that Government determines that because of changed conditions the continuation of such financing, sale, or delivery is unnecessary or undesirable.

Article II

A. *Initial payment.* The Government of the importing country shall pay, or cause to be paid, such initial payment as may be specified in part II of this Agreement. The amount of this payment shall be that portion of the purchase price (excluding any ocean transportation costs that may be included therein) equal to the percentage specified for initial payment in part II and payment shall be made in United States dollars in accordance with the applicable purchase authorizations.

B. *Currency use payment.* The Government of the importing country shall pay, or cause to be paid, upon demand by the Government of the exporting country in amounts as it may determine, but in any event no later than one year after the final disbursement by the Commodity Credit Corporation under this Agreement, or the end of the supply period, whichever is later, such payment as may be specified in part II of this Agreement pursuant to section 103 (b) of the Act (hereinafter referred to as the currency use payment). The currency use payment shall be that portion of the amount financed by the exporting country equal to the percentage specified for currency use payment in part II. Payment shall be made in accordance with Paragraph H and for purposes specified in subsection 104 (a), (b), (e) and (h) of the Act, as set forth in part II of this Agreement. Such payment shall be credited against (a) the amount of each year's interest payment due during the period prior to the due date of the first installment payment, starting with the first year, plus (b) the combined payments of principal and interest starting with the first installment payment, until the value of the currency use payment has been offset. Unless otherwise specified in part II, no request for payment will be made by the Government of the exporting country prior to the first disbursement by the Commodity Credit Corporation of the exporting country under this Agreement.

C. *Type of financing.* Sales of the commodities specified in part II shall be financed in accordance with the type of financing indicated therein. Special provisions relating to the sale are also set forth in part II.

D. *Credit provisions.* 1. With respect to commodities delivered in each calendar year under this Agreement, the principal of the credit (hereinafter referred to as principal) will consist of the dollar amount disbursed by the Government of the exporting country for the commodities (not including any ocean transportation costs) less any portion of the initial payment payable to the Government of the exporting country.

The principal shall be paid in accordance with the payment schedule in part II of this Agreement. The first installment payment shall be due and payable on the date specified in part II of this Agreement. Subsequent installment payments shall be due and payable at intervals of one year thereafter. Any payment of principal may be made prior to its due date.

2. Interest on the unpaid balance of the principal due the Government of the exporting country for the commodities delivered in each calendar year shall be paid as follows:

a. In the case of dollar credit, interest shall begin to accrue on the date of last delivery of these commodities in each calendar year. Interest shall be paid not later than the due date of each installment payment of principal, except that if the date of the first installment is more than a year after such date of last delivery, the first payment of interest shall be made not later than the anniversary date of such date of last delivery and thereafter payment of interest shall be made annually and not later than the due date of each installment payment of principal.

b. In the case of convertible local currency credit interest shall begin to accrue on the date of dollar disbursement by the Government of the exporting country. Such interest shall be paid annually beginning one year after the date of last delivery of commodities in each calendar year, except that if the installment payments for these commodities are not due on some anniversary of such date of last delivery, any such interest accrued on the due date of the first installment

payment shall be due on the same date as the first installment and thereafter such interest shall be paid on the due dates of the subsequent installment payments.

3. For the period of time from the date the interest begins to the due date for the first installment payment, the interest shall be computed at the initial interest rate specified in part II of this Agreement. Thereafter, the interest shall be computed at the continuing interest rate specified in part II of this Agreement.

E. *Deposit of payments.* The Government of the importing country shall make, or cause to be made, payments to the Government of the exporting country in the currencies, amounts, and at the exchange rates provided for in this agreement as follows:

1. Dollar payments shall be remitted to the Treasurer, Commodity Credit Corporation, United States Department of Agriculture, Washington, D.C. 20250, unless another method of payment is agreed upon by the two Governments.

2. Payments in the local currency of the importing country (hereinafter referred to as local currency) shall be deposited to the account of the Government of the United States of America in interest-bearing accounts in banks selected by the Government of the United States of America in the importing country.

F. *Sales proceeds.* The total amount of the proceeds accruing to the importing country from the sale of commodities financed under this Agreement, to be applied to the economic development purposes set forth in part II of this Agreement, shall be not less than the local currency equivalent of the dollar disbursement by the Government of the exporting country in connection with the financing of the commodities (other than the ocean freight differential), provided, however, that the sales proceeds to be so applied shall be reduced by the currency use payment, if any, made by the Government of the importing country. The exchange rate to be used in calculating this local currency equivalent shall be the rate at which the central monetary authority of the importing country, or its authorized agent, sells foreign exchange for local currency in connection with the commercial import of the same commodities. Any such accrued proceeds that are loaned by the Government of the importing country to private or non-governmental organizations shall be loaned at rates of interest approximately equivalent to those charged for comparable loans in the importing country. The Government of the importing country shall furnish, in accordance with its fiscal year budget reporting procedure, at such times as may be requested by the Government of the exporting country but not less often than annually, a report of the receipt and expenditure of the proceeds, certified by the appropriate audit authority of the Government of the importing country, and in case of expenditures the budget sector in which they were used.

G. *Computations.* The computation of the initial payment, currency use payment and all payments of principal and interest under this Agreement shall be made in United States dollars.

H. *Payments.* All payments shall be in United States dollars, or, if the Government of the exporting country so elects:

1. The payments shall be made in readily convertible currencies of third countries at a mutually agreed rate of exchange and shall be used by the Government of the exporting country for payments of its obligations, or, in the case of currency use payments, used for the purposes set forth in part II of this Agreement; or

2. The payments shall be made in local currency at the applicable exchange rate specified in part I, article III, G, of this Agreement in effect on the date of payment and shall, at the option of the Government of the exporting country, be converted to United States dollars at the same rate, or used by the Government of the exporting country for payments of its obligations or, in the case of currency use payments, used for the purposes set forth in part II of this Agreement in the importing country.

Article III

A. *World trade.* The two Governments shall take maximum precautions to assure that sales of agricultural commodities pursuant to this Agreement will not displace usual marketings of the exporting country in these commodities or unduly disrupt world prices of agricultural commodities or normal patterns of commercial trade with countries the Government of the exporting country considers to be friendly to it (referred to in this Agreement as friendly countries). In implementing this provision the Government of the importing country shall:

1. Insure that total imports from the exporting country and other friendly countries into the importing country paid for with the resources of the importing country will equal at least the quantities of agricultural commodities as may be specified in the usual marketing table set forth in part II during each import period specified in the table and during each subsequent comparable period in which commodities financed under this Agreement are being delivered; the imports of commodities to satisfy these usual marketing requirements for each import period shall be in addition to purchases financed under this Agreement;
2. Take steps to assure that the exporting country obtains a fair share of any increase in commercial purchases of agricultural commodities by the importing country;
3. Take all possible measures to prevent the resale, diversion in transit, or transshipment to other countries or the use for other than domestic purposes of the agricultural commodities purchased pursuant to this Agreement (except where such resale, diversion in transit, transshipment or use is specifically approved by the Government of the United States of America); and
4. Take all possible measures to prevent the export of any commodity of either domestic or foreign origin, which is defined in part II of this Agreement, during the export limitation period specified in the export limitation table in part II (except as may be specified in part II or where such export is otherwise specifically approved by the Government of the United States of America).

B. *Private trade.* In carrying out the provisions of this Agreement, the two Governments shall seek to assure conditions of commerce permitting private traders to function effectively.

C. *Self-help.* Part II describes the program the Government of the importing country is undertaking to improve its production, storage, and distribution of agricultural commodities. The Government of the importing country shall furnish in such form and at such time as may be requested by the Government of the exporting country, a statement of the progress the Government of the importing country is making in carrying out such self-help measures.

D. *Reporting.* In addition to any other reports agreed upon by the two Governments, the Government of the importing country shall furnish at least quarterly for the supply period specified in part II, item I, of this Agreement and any subsequent comparable period during which commodities purchased under this Agreement are being imported or utilized:

1. The following information in connection with each shipment of commodities under the Agreement—the name of each vessel; the date of arrival; the port of arrival; the commodity and quantity received; and the condition in which received;
2. A statement by it showing the progress made toward fulfilling the usual marketing requirements;
3. A statement of the measures it has taken to implement the provisions of sections A, 2 and 3, of this article; and
4. Statistical data on imports by country of origin and exports by country of destination, of commodities which are the same as or like those imported under the Agreement.

E. *Procedures for reconciliation and adjustment of accounts.* The two Governments shall each establish appropriate procedures to facilitate the reconciliation of their respective records on the amounts financed with respect to the commodities delivered during each calendar year. The Commodity Credit Corporation of the exporting country and the Government of the importing country may make such adjustments in the credit accounts as they mutually decide are appropriate.

F. *Definitions.* For the purposes of this Agreement:

1. Delivery shall be deemed to have occurred as of the on-board date shown in the ocean bill of lading which has been signed or initialed on behalf of the carrier;
2. Import shall be deemed to have occurred when the commodity has entered the country, and passed through customs, if any, of the importing country; and
3. Utilization shall be deemed to have occurred when the commodity is sold to the trade within the importing country without restriction on its use within the country or otherwise distributed to the consumer within the country.

G. *Applicable exchange rate.* For the purposes of this Agreement, the applicable exchange rate for determining the amount of any local currency to be paid to the Government of the exporting country shall be a rate in effect on the date of payment by the importing country which is not less favorable to the Government of the exporting country than the highest exchange rate legally obtainable in the importing country and which is not less favorable to the Government of the exporting country than the highest exchange rates obtainable by any other nation. With respect to local currency:

1. As long as a unitary exchange rate system is maintained by the Government of the importing country, the applicable exchange rate will be the rate at which the central monetary authority of the importing country, or its authorized agent, sells foreign exchange for local currency;

2. If a unitary rate system is not maintained, the applicable rate will be the rate (as mutually agreed by the two Governments) that fulfills the requirements of the first sentence of this section G.

H. *Consultation* The two Governments shall, upon request of either of them, consult regarding any matters arising under this Agreement, including the operation of arrangements carried out pursuant to this Agreement.

I. *Identification and publicity.* The Government of the importing country shall undertake such measures as may be mutually agreed prior to delivery for the identification of food commodities at points of distribution in the importing country, and for publicity in the same manner as provided for in subsection 103 (I) of the Act.

PART II. PARTICULAR PROVISIONS

I. *Commodity table*

<i>Commodity</i>	<i>Supply period (U.S. Fiscal Year)</i>	<i>Approximate maximum quantity (metric tons)</i>	<i>Maximum export market value (millions)</i>
Wheat/wheat flour (grain equivalent basis)	1978	25,000	Dols 3.2
Corn/sorghums	1978	20,000	2.1
Rice	1978	5,000	1.7
TOTAL DOLLARS			7.0

II. *Payment terms: convertible local currency credit (40 years)*

1. Initial payment: none.
2. Currency use payment: 5 per cent.
3. Number of installment payments: 31.
4. Amount of each installment payment: approximately equal annual amounts.
5. Due date of first installment payment: 10 years after date of last delivery of commodities in each calendar year.
6. Initial interest rate: 2 per cent.
7. Continuing interest rate: 3 per cent.

III. *Usual marketing table*

<i>Commodity</i>	<i>Import period (U.S. Fiscal Year)</i>	<i>Usual marketing requirements (metric tons)</i>
Wheat/wheat flour (grain equivalent basis)	1978	25,000
Corn/sorghums	1978	35,000
Rice	1978	4,600

IV. *Export limitations*

A. The export limitation period shall be U.S. Fiscal Year 1978 or any subsequent U.S. Fiscal Year during which commodities financed under this Agreement are being imported or utilized.

B. For the purpose of part I, article III (A) (4), of the Agreement, the commodities which may not be exported are for wheat/wheat flour—wheat, wheat flour, rolled wheat, semolina, farina, bulgur (or the same product under a different name); for corn/sorghums—corn, sorghums, barley, oats, and rye including mixed feed containing such grains; and for rice—rice in the form of paddy, brown or milled.

V. *Self-help measures*

A. In implementing these self-help measures specific emphasis will be placed on contributing directly to development progress in poor rural areas and on enabling the poor to participate actively in increasing agricultural production through small farm agriculture.

B. The Government of Somalia agrees to:

1. Give top priority in its development programs having the goal of attaining self-sufficiency in the production of basic food crops, particularly grain and oil seeds;
2. Take appropriate measures to guarantee that farmers receive fair and adequate farm-gate prices for their output;
3. Increase funding of farmer credit programs, particularly for benefit of small farmers and credit cooperatives, for acquisition of equipment, improved seed varieties, fertilizers and other production inputs;
4. Render fullest possible budgetary and personnel support for expanding agricultural extension service including seed multiplication, particularly for dry land grain and oil seed crops and initiate crop diversification where such practice will improve agricultural productivity;
5. Increase allocations for district-level feeder road construction and maintenance in rural agricultural areas in order to improve farmer access to markets and input supplies;
6. The establishment and expansion of cooperative farms;
7. Expansion of irrigation facilities;
8. Provide assistance to water conservation projects;
9. Expanded use of fertilizer;
10. Improved management of marketing systems;
11. Assist with joint ventures in agro-business which promote agricultural production and facilitate distribution.

VI. *Economic development purposes for which proceeds accruing to importing country are to be used*

A. The commodities provided hereunder, or the proceeds accruing to the importing country from the sale of such commodities, will be used for the following projects or programs which directly benefit the needy people of the importing country.

In addition to the self-help measures set forth in item V of the Agreement, the following other projects or programs are;

1. Agricultural production/extension projects;
2. Feeder roads projects;
3. Health projects;

4. Rural education projects;
5. Rural (shelter/water supplies) development projects;
6. Sand dune stabilization projects.

B. The projects or programs identified under VI, A, above are elements of a country-wide financing and development program which will directly benefit the needy in the following ways:

1. Agricultural production/extension projects will assist in providing agricultural services, commodities and implements for small-scale farmers in the Inter-riverine, Bay and North West farming areas. Similar assistance will be provided settlers in the six established agricultural and fisheries settlement projects. Approximately 300,000 small farmers are expected to benefit. The principal objectives are to increase agricultural cereal and oil seed production to achieve near self-sufficiency in the early 1980's and to help raise rural incomes.

2. Feeder road projects will address a major constraint to increased agricultural production by providing surface links from farming areas identified in VI, B, 1, to main roads connecting the principal marketing centers which would include Mogadiscio, Chisimayo, Hargeisa, and Boidoa. The feeder road program will help improve marketing of agricultural products by providing easier access to market centers and permitting small rural farmers greater opportunities to receive agricultural assistance and other services.

3. Health projects envisaged are part of a country-wide program to extend primary health care services to the rural farming and nomadic populations. The program will involve the training of rural health workers, the construction of small rural dispensaries, some larger rural health clinics, and the provision of supplies and equipment in support of the dispensaries and clinics. The principal groups to benefit from the expanded health services will be the rural and nomadic populations with limited access to primary health care. The program will give emphasis to addressing problems of communicable diseases, maternal [and] child health care, nutrition and sanitation. Many of the dispensaries and clinics will be centered in the agricultural areas identified in VI, B, 1. At the conclusion of this country-wide program which will take a number of years to complete, approximately 2 million persons are expected to receive primary health services.

4. Rural education projects will help support country-wide campaign to provide essential craft and skills training for rural and urban primary school students. The program would provide school leavers with greater opportunities to enter the work force, as the result of training. Training centers for students and vocational instructors will be constructed or repaired, mobile training units will be introduced to service nomadic groups, and supplies, materials and other supporting equipment will be provided under the program. Benefits to be derived include increased incomes for rural and urban youth, reduced unemployment, and increased productivity.

5. Rural shelter and water supply projects will help provide permanent low-cost housing units and potable water supplies in support of Government villagization programs. The program will assist in replacing temporary shelters with permanent structures in the six major agricultural and fisheries settlement projects and in providing low-cost housing for new farming settlements in agricultural areas identified in VI, B, 1. The establishment of dependable sources of water for the farm population and livestock is an integral element of the program. The program is expected to greatly improve the quality of life for the

rural population as a result of improved housing and sanitary and health conditions through the reduction of water-borne communicable diseases.

6. Sand dune stabilization projects will attempt to arrest the steady progress of sand intrusions threatening important and potentially rich agricultural areas of the middle and lower Shebelle River Valley. A limited stabilization program is now in progress, but a greatly expanded program has become necessary to slow the current pace of dune migration and eventually bring it to a halt. Project resources will be utilized to defray the cost of planting material, labor, transport, supplies, tools and equipment. In addition to protecting fertile agricultural areas, the program will provide employment for 5,000 to 8,000 persons and increase the forage-carrying capacity of the dunes for small stock.

7. The programs described above are presently in the planning stage and will be subject to modification during implementation.

C. In addition to the report required by part I, article II, F, of this Agreement, the importing country agrees to report on the progress of implementation of the projects or programs identified in item VI, A, above. Such reports shall be made by the importing country within six months following the last delivery of commodities in the first calendar year of the Agreement and every six months thereafter until all the commodities provided hereunder, or the proceeds from their sale, have been used for the project or program specified in item VI, A, above.

PART III. FINAL PROVISIONS

A. This Agreement may be terminated by either Government by notice of termination to the other Government for any reason, and by the Government of the exporting country if it should determine that the self-help program described in the Agreement is not being adequately developed. Such termination will not reduce any financial obligations the Government of the importing country has incurred as of the date of termination.

This Agreement shall enter into force upon signature.

B. IN WITNESS WHEREOF, the respective representatives, duly authorized for the purpose, have signed the present Agreement.

DONE at Mogadiscio in duplicate, this 20th day of March, 1978.

For the Government
of the Somali Democratic Republic:

[Signed]

MOHAMED YUSUF WEIRAH
Minister of Finance

For the Government
of the United States of America:

[Signed]

RICHARD M. MOOSE, Jr.
Assistant Secretary of State